



# NEW APPLICATION



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April 29, 2016  
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Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

AZ CORP COMMISSION  
DOCKET CONTROL

RE: **Transtelco, Inc.**  
**Application Recission of Bond Requirement**

T-20697A-16-0146

Dear Sir or Madam:

Enclosed for filing please find the original and thirteen (13) copies of the Application for Rescission of Bond Requirement ("Application") submitted on behalf of Transtelco, Inc. The Company respectfully requests the earliest possible effective date for this Application.

Please acknowledge receipt of this filing by date-stamping the extra copy of this cover letter and returning it to me in the self-addressed, stamped envelope provided for that purpose.

Any questions you may have regarding this filing should be directed to my attention at 407-740-3005 or via email to [swarren@tminc.com](mailto:swarren@tminc.com). Thank you for your assistance in this matter.

Sincerely,

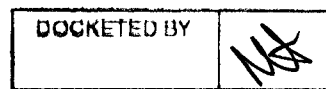
Sharon R. Warren  
Consultant to Transtelco, Inc.

Arizona Corporation Commission

DOCKETED

MAY 02 2016

cc: Jorge Robles Nettel (Via Email)  
file: Transtelco - Arizona - Other  
tms: AZx1602



Enclosures  
SW/mp

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF TRANSTELCO, INC. )  
FOR RESCISSION OF BOND )  
REQUIREMENT CONTAINED IN )  
ARIZONA CORPORATION COMMISSION )  
DECISION NO. 74093 )**

**DOCKET NO. \_\_\_\_\_**

**APPLICATION**

Transtelco, Inc. ("Transtelco" or "Applicant") requests rescission of the bond requirement included in Arizona Corporation Commission ("Commission") Decision No. 74093.

**BACKGROUND**

Transtelco is a provider of facilities-based and resold local exchange and resold interexchange telecommunication services to businesses, large enterprises and telecommunications carriers in the state of Arizona. Transtelco was certified by the Commission to provide facilities-based local exchange telecommunication services on September 23, 2013 (Decision No. 74093) and resold long distance and resold local exchange services on April 14, 2010 (Decision No. 71633). Transtelco does not serve residential customers.

When Transtelco was certified by the Commission on September 2013, that order, ACC Decision 74093, required Transtelco to obtain and submit to the Commission a \$125,000 performance bond to cover customer advances, deposits and/or prepayments collected from Transtelco's customers. Transtelco has complied with its obligation to maintain the aforementioned performance bond and currently maintains a bond in the amount of \$125,000.

The bond in place has never been invoked, and no customer complaint brought into question Transtelco's conduct as a public service corporation. During this period, it was the general policy of the Commission to require a bond without a specific inquiry into the track record of the company. Because Transtelco has a track record of good performance and the bond is not needed to ensure Transtelco's

compliance with Commission orders, Transtelco respectfully asks that the Commission issue an order relieving Transtelco of its bond obligation.

### **ANALYSIS**

"In appropriate circumstances, the Commission may require, as a precondition to certification, the procurement of a performance bond sufficient to cover any advances or deposits the telecommunications company may collect from its customers, or order that such advances or deposits be held in escrow or trust." A.A.C. R14-2-1105(D). Transtelco is subject to the Arizona Competitive Telecommunications Services Rules, A.A.C. R14-2-1101-1115, and must comply with all rules applicable to the provision of intrastate telecommunications services under the terms of its certification. ACC Decision No. 61373, p.4, para. 19(j)(1999). While the Commission may require a performance bond prior to certification, for the reasons set forth below continuing this requirement for Transtelco, an established competitive telecommunications company, is unnecessary and costly.

#### **1. Record of Compliance**

Transtelco has been a certified carrier in Arizona since 2010. Throughout this period Transtelco has complied with the requirements of its certification, including filing annual reports, paying annual assessments for funding the ACC and RUCO (A.R.S. §40-401; §40-401.01), and funding Arizona universal service. Any complaints against Transtelco have been resolved and closed with no formal litigation and without penalty to Transtelco. Transtelco has a substantial physical presence in the State, with installed network facilities, and is available to respond in a timely and responsive manner to any questions or concerns regarding customer service.

The bond that Transtelco has had on file with the Commission has never been drawn upon or requested. Obtaining and maintaining this bond created a significant expense for Transtelco and will continue to do so. Moreover, it diverts monies that Transtelco could use to grow its network or improve its systems.

#### **2. The Bond Is Not Necessary or Reasonable**

The Commission "*may* require ... the procurement of a performance bond sufficient to cover any advances or deposits the telecommunications company may collect from its customers." A.A.C. R14-2-1105(D) (emphasis added). This rule was invoked by the Commission, as early as 2000, to protect

consumers in the event a telecommunications carrier declared bankruptcy or abandoned service. *See, e.g.,* Decision No. 62751 (2000) (*Eschelon Telecom of Arizona CC&N Application*). At that time, many providers were new to Arizona and few carriers had invested in equipment and facilities. The new competitive local exchange carriers ("CLECs") did not have demonstrable operating histories, nor could they offer track records of customer satisfaction. During this period, a bond requirement was the vehicle selected by Commission Staff to protect consumers in the event a provider could not meet its legal obligations. Bonds were one way for the Commission to protect consumers from companies with little or no assets or few ties to Arizona.

Now, sixteen years later, the market is very different. Indeed, customer deposits and advances are no more at risk with an established, facilities-based CLEC like Transtelco than they are with Qwest Corporation or Cox, which operate in competition with facilities-based CLECs but carry no performance bonds benefiting the Commission. Transtelco has established through its investment in the state, and by its operating history, that customer deposits are not at risk. Therefore, a bond is not necessary or reasonable given Transtelco's history.

### **3. The Commission is Moving Towards Bonds Only When Necessary**

In October 2015, the Commission approved the ACN Communication Services' application to be relieved of its bond requirement. The Commission concluded that it was in the public interest to approve the ACN application. *See* Decision No. 75318. Likewise, the Commission has recently approved a carrier certification request without requiring a bond of the applicant. *See* TNCI Operating Company, LLC T-20882A-13-0108. In recommending approval of the TNCI certification, Staff recommended no bond reflecting an appropriate reaction to changes in the competitive telecom market. Staff has recommended a "case by case" analysis for assessing the need for a bond. This makes sense. The Commission retains full authority to impose a bond if Staff is concerned about a company's managerial or technical ability to provide service in Arizona. Companies like Transtelco, however, that have been providing service for years, show no history of customer complaints or problems, and have demonstrated their technical and managerial expertise to provide service, should not be required to post or maintain a bond.

**4. Bond Documents**

If this application is approved, Transtelco requests that the bond documents be returned to the following Transtelco representative:

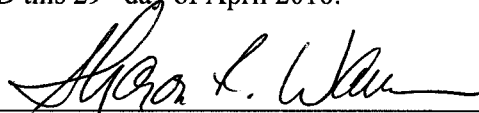
Jorge Robles Nettel  
Transtelco, Inc.  
500 West Overland Avenue  
Suite 310  
EL Paso, Texas 79901

**CONCLUSION**

For the foregoing reasons, Transtelco respectfully requests an order cancelling the bond requirement in Decision No. 74093.

RESPECTIFULLY SUBMITTED this 29<sup>th</sup> day of April 2016.

By:



Sharon R. Warren  
Consultant to Transtelco, Inc.  
2600 Maitland Center Parkway Suite 300  
Maitland FL 32765  
Phone: (407) 740-3005  
[Swarren@tminc.com](mailto:Swarren@tminc.com)

ORIGINAL and thirteen (13) copies of the foregoing  
Was filed this 29<sup>th</sup> day April 2016 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

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